SEPT 2012

QUARTERLY JOURNAL OF THE MINERALS **ESTATE**

OSAGE MINERALS NEWS

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OIL- AN OSAGE LEGACY



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SPYGLASS CONCESSION AGREEMENT

At the July 2012 meeting, the Osage Minerals Council entered into a Concession Agreement with Spyglass Energy Group covering 54,667 acres over a 5-year period at the rate of \$100 per acre for a bonus consideration of \$5,466,700. The acreage covered by the concession is on the West side of the Osage Mineral Reservation. Although the 5-year term is longer than other leases, it is in line with leases that had been sold in the past. Also, it enables the lessee to meet the drilling commitment set out in the agreement.

When the concession was agreed upon by the Council, Spyglass had five days on which to pay the 5 million plus bonus consideration. Spyglass met the 5-day agreement and the bonus was deposited in the Osage Trust Account. It was thought that since the bonus was paid within the 5-day time limit, it would be paid out in the September payment making it the largest payment ever. However, because the Oil and Gas section of the Agency is understaffed, only about one-third the leases in the concession were approved; therefore only about onehalf the bonus money went into the September payment, but the balance will be included in the December payment since the remainder of leases have been approved.

Since only about one-half of the \$5 million plus bonus was included in the September payment, the payment was less than the June payment for the reason the price of oil dropped from a high of \$104.75 in March to a low of \$74.25 in June. The price of oil has since risen to \$89.29 in August which was the closing date for funds to go into the September payment. It is hoped that the above clarifies any questions you may have regarding this matter.

Melvin Core

In our previous correspondence, it was stated that we would bring you up-to-date on the oil and gas activity in the Osage oil field. But, as mentioned above, the oil and gas section of the Agency is understaffed and is behind in furnishing us this information.

NEGOTIATED RULE MAKING COMMITTEE

One of the more long lasting elements of the Trust Case settlement agreement was a commitment from the DOI & BIA to work with the Osage on improving BIA service delivery in Minerals management. This commitment takes a two pronged approach. One aspect is twice a year meetings between the Osage Minerals Council and high level Federal government officials with the goal of finding ways to improve BIA service delivery through updates in resource allocation and improved policies and procedures.

To date we've had one of those meetings at which many areas needing improvement were identified and are already being addressed. We have also begun the second phase, and that is a more formal negotiated rule making process that is necessary to make changes to the CFR's (Code of Federal Regulations) that regulate how the BIA conducts their business.

Because of the uniqueness of the Osage relationship with the DOI/BIA, there is a whole section of the CFR's that only apply to Osage. Some of these regulations have become antiquated and we find ourselves not receiving the level of service that other tribes and federal lands receive. We are focusing on changes that will modernize the way our Oil and Gas are valued, measured and metered as well improving production by strengthened prudent operator standards. Another major area of improvement are code changes that will bring the Osage BIA Agency into the 21st century with computerized systems that will improve management abilities, accountability and delivery of services to our producers.

We have been very pleased with the level of commitment to meaningful improvement that has been exhibited by the BIA. We've had three meetings this year in which the Director of the BIA, Mike Black, attended bringing with him minerals experts from several agencies within the Dept. of Interior to help identify and find solutions to our problems. In the past, attempts at improvement have often died within the BIA bureaucracy somewhere between the local agency and top level decision makers. Now we are meeting directly with the top people and they seem very committed to making the delivery of services from the Osage agency the best there is.

Chairman Galen Crum

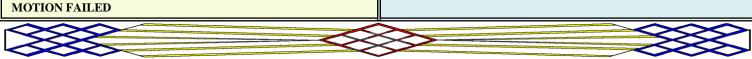
6/20/2012

MOTION: To rescind injunctive Law suit against Chief of Osage

MOTION BY: RedEagle, SECONDED BY: Abbott, AYE 4, Abbott, Core, RedEagle, Yates NAY 4, Boone, Crum, Whitehorn, Bear.

7/18/2012

MOTION: To accept Lease Sale bids for a total of \$217,300. MOTION BY: Core, SECONDED BY: Yates, AYES 8, NAY 0. MOTION PASSED







THE BARREL-BOTTOM LINE

Data for this report is provided from and compiled by Jim D. Swan, the Minerals Council Auditor. He is responsible for ensuring our accounts are maintained in strict accordance with Federal law. Jim is also responsible for preparing Monthly Oil and Gas Production Reports. Most importantly he calculates the Quarterly Payment.

This is accomplished by auditing data provided from Office of the Special Trustee in Albuquerque, New Mexico.

Chairman Galen Crum

<u>Payment</u> for the third quarter (September <u>2012</u>) will be **\$9,465.00** per headright.

<u>Computation:</u> Total Revenue \$21,099,002.22 for the second quarter production and collections.

(\$21,099,002.22 divided by 2,228.97393 headrights equals \$9,465.00 rounded back to the nearest \$5.00.)

Major Details of the: \$21,099,002.22

Oil and Tank Bottoms Production: 1,227,228.25 gross barrels or 196,897.22 royalty barrels.

Oil Revenue: \$18,154,804.11

Average price per barrel of oil: \$92.20

Gas Production: 3,028,234 gross M.C.F. or \$530,319.48

royalty M.C.F. and 3,311,349 gallons.

Gas Revenue: \$1,255,141.31

Sand and Gravel Royalty: \$152,299.81

Oil and Gas Bonuses Collected: \$2,545,620.00 Oil and Gas Rental Collected: \$79,594.33

Water Use Royalty: \$58,552.87 Interest Earned: \$5,590.56

Miscellaneous Revenue: \$17,896.51

Gross Production Tax to the State of Oklahoma:

\$970,497,28

Miscellaneous Disbursements: \$0

Why does it take so long to get information on Payment? In truth, it doesn't. We have been told ahead of time for so long that we take for granted that payment is <u>not</u> late until after the 14th of the month payment is dispersed! Call 24/7 to the **OMC HOTLINE** for information: **918-287-5556** or 287-5433

11th Annual Osage Oil & Gas Summit and Lease Sale November 7 & 8, 2012

• LODGING SPECIAL RATE

Hyatt Regency Tulsa 100 East Second Street Tulsa, OK 74103

Telephone: 918/582-9000; 888/591-1234;

• FURTHER INFORMATION

Contact: Reta Lintner (918-287-5359; rlintner@osagetribe.org)
Joyce Whitewing (918-885-2433; jwopa@valornet.com)
Or Osage Minerals Council (918-287-5346)

HISTORICAL OIL PRODUCTION TO BE LINKED TO THE MINERALS COUNCIL WEBSITE

http://oag.osagetribe.org/osageonline

Oil and Gas Operations October 2011 to May 2012 OIL CO. WELL **OILWELLS** GAS WELLS DRY SALT LOCATIONS **COMPLETED COMPLETED** HOLES WATER DISPOSAL WELLS MAJOR 166 10 0 INDEPENDENT 32

Did you know -The Burbank Field was established in May 1930 by E. W. Marlin. Information furnished by: Charles Hurlburt, BIA Supervisory Petroleum Engineer

Northern California Osage Potluck Picnic/ Fall Meeting: Saturday, October 20th 10am-5pm at Lake Temescal Park, 6500 Broadway Oakland (near the intersection of Hwy 24 and Hwy 13). Meet at the Landvale picnic site: Map at: http://www.ebparks.org/Assets/files/Tem escal_map_0.pdf Park on the street or in the north entrance lot \$5. Come meet fellow Osages, bring a potluck dish to share; all are welcome. Check for meeting updates and list of meeting speakers/ events at https://www.facebook.com/#!/groups/464 60923890/ & http://northerncaliforniaosage.org/

What you need to know Contact Numbers:

~Chairman Galen Crum
Cell: 918-504-3275
gcrum@osagetribe.org
~Joseph B. 'Sonny' Abbott, Jr.

Cell: 918-381-9583
joeabbott@windstream.net

~Curtis O. Bear Cell: 918-766-1736 officecurtisbear@yahoo.com

~Cynthia J. Boone Home: 918-287-2920 Cell: 918-698-3314 tom@cowboy.net

~Melvin Core Cell: 918-331-7511 minerals@osagetribe.org ~Myron F. Red Eagle Cell: 918-625-5386 minerals@osagetribe.org

~Dudley Whitehorn Cell: 918-695-4034

jdwosage@windstream.net

~Andrew Yates Cell: 918-504-1240 jayates@osagetribe.org

BIA - OSAGE AGENCY

Superintendent
Melissa Currey
918-287-5700
Office of the Special Trustee
IIM 918-287-5791
Trust Call Center
1-888-678-6836
Probate 918-287-5750

DEPT. OF INTERIOR

Office of the Solicitor 918-669-7730



Osage Negotiated Rulemaking Committee Meetings – 2012 9 A.M. – 6 P.M. September 27th and 28th Doubletree Hotel, Tulsa, OK

October 22nd and 23rd Osage Event Ctr, Tulsa, OK

Locations to be Announced see local newspapers for:

November 13th and 14th December 13th and 14th

PROPOSED AMENDMENTS FAIL

All four proposed constitutional amendments failed in the Aug. 13 Osage Nation Special Election, so the Osage Constitution will remain as it is.

Absentee ballots outnumber in-person votes with 1,024 counted; 455 Osages voted in-person.

The ON Election office announced the unofficial results are:

ONCR 10-19: YES – 911 (61.75 percent); NO – 565 ONCR 11-12: YES – 803 (54.55 percent); NO – 669 ONCR 11-13: YES – 815 (55.18 percent); NO – 662 ONCR 11-14: YES – 831 (56.22 percent); NO – 647

In complete, but unofficial results, the four amendment questions failed to garner 65 percent of the "yes" vote required for constitutional amendments to take effect.

Cobell v Salazar Update

On May 22, 2012, the Us Court of Appeals held that the appeals are without merit. Petitioners asked for and received an extension of time and now must file their consolidated petition on or before September 19. Payments to individual Indians cannot be made until the appeals of the petitioners are exhausted. Until their appeals are exhausted, no money is available to Indian students for scholarships and no money would be available to purchase fractionated land ownership interests.

Update from Class Counsel

Reception: 918-287-5346

NOW ACCEPTING - LETTERS TO THE EDITOR. – SEND SUBMISSIONS TO OSAGE MINERALS COUNCIL. LIMIT 300 WORDS OR LESS. SUBMISSIONS WILL NOT BE RETURNED. ALL LETTERS MUST HAVE NAME AND ADDRESS NO ANONYMOUS ACCEPTED!

Motions & Resolutions

6/25/2012

MOTION: To accept Spyglass Concession amendment.
MOTION BY: Abbott, SECONDED BY: Yates, AYES 6, NAY 1,
ABSTAIN 1.
MOTION PASSED

7/18/2012

MOTION: To approve training travel on 8/15 & 8/16/2012, MOTION BY: Bear, SECONDED BY: Core, AYE 8, NAY 0, MOTION PASSED

MOTION: To accept Spyglass Assignment to Devon Energy.
MOTION BY: Abbott, SECONDED BY: Yates, AYE 5, NAY 3.
MOTION PASSED

8/10/2012

MOTION: To have Media release of NRM open meetings. MOTION: BY: Bear SECOND: Boone, AYE 8, NAY 0. MOTION PASSED

8/15/2012

MOTION: To accept adding gas to oil lease for Krebbs Oil MOTION BY: Boone, SECOND: Whitehorn, AYE 7, ABSENT 1. MOTION PASSED

MOTION: To accept take down of 8 leases by PERL. MOTION BY: Abbott, SECOND: RedEagle, AYE 7, ABSENT 1. MOTION PASSED

MOTION: Accept a 3 mo. Lease for Black Lava.

MOTION BY: Yates, SECOND: RedEagle, AYE 4, NAY 3, ABSENT 1. MOTION PASSED

MOTION: Approve Budget Modification # 3.

MOTION BY: Abbott, SECOND: Bear, AYE 7, ABSENT 1. MOTION PASSED

MOTION: Put all available Osage Production data online. MOTION BY: RedEagle, SECOND: Abbott. Motion withdrawn at this time.

DRILLING UPDATE

At the July 2012 Osage Minerals Council meeting, Spyglass Energy Group requested permission to assign their South Bend Concession agreement to Devon Energy Corporation, based in Oklahoma City.

Devon Energy is a major oil geophysical company with 20 drilling rigs operating under their possession. These rigs will be used in their exploration for oil in Alfalfa County, Kay County, Grant County and Osage County.

As mentioned in the past, these horizontal wells drilled in the South Bend produce a tremendous amount of saltwater.

However, Spyglass Energy has completed a saltwater disposal well operating under pressure in the disposal zone and can handle the produced water. We believe that Devon Energy will be a valuable asset in the oil field of the Osage Mineral Estate.

PLANNED DEEPEST WELL IN COUNTY

A further update – Spyglass Energy will be starting their deep drilling of a well named the Hunka No. 1 to the Wah-Zha-Zhi basin in October 2012. This will be the deepest well ever to be drilled on the Osage Mineral Reservation.

Councilman Melvin Core

Hot Line - 918-287-5556

Charity Damron Trust Assistant: 918-287-5447 - > cdamron@osagetribe.org

Fawn Cheshewalla Secretary/Trust Clerk: 918-287-5433 >clcheshewalla@osagetribe.org

Editor: Reta Lintner Minerals Technician: 918-287-5359 -> rlintner@osagetribe.org

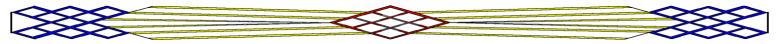
MINERALS COUNCIL ON THE

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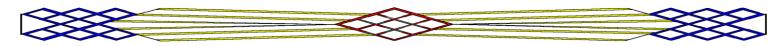
http://www.osagetribe.com/minerals/



Osage Minerals Council P.O. Box 779 Pawhuska, OK 74056



TO:





OSAGE MINERALS COUNCIL Wah-Tiah-Kah SCHOLARSHIPS AVAILABLE FOR 2013

DEADLINE DATES

SPRING 2013 SEMESTER-DEC. 31-2012 2013 FALL SEMESTER-JULY 1 2013

FIELD OF STUDY MUST BE OIL INDUSTRY RELATED

FOUR \$1,000 AWARDS PER SEMESTER

TO APPLY CONTACT 918-287-5433 OR DOWNLOAD THE INFORMATION FROM THE WEBSITE. APPLY EARLY!

Committee Chairman Melvin Core

